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New CMFAS Examination Requirements for Appointed Representatives under SFA and FAA Commence on 1 April 2024

Introduction

Representatives appointed by capital markets intermediaries and financial advisers to conduct regulated activities under the Securities and Futures Act ("**SFA**") and Financial Advisers Act ("**FAA**") ("**Appointed Representatives**") are required to meet minimum academic qualifications and pass the relevant modules under the Capital Markets and Financial Advisory Services Examination ("**CMFAS Examination**"). The purpose of the CMFAS Examination requirement is to ensure that Appointed Representatives have a good understanding of the financial markets in which they operate and the products that they deal with.

On 1 April 2024, the CMFAS Examination requirements will be revised to:

- raise the competency of and build a culture of high ethical standards among Appointed Representatives; and
- provide more flexibility to Appointed Representatives to customise the modules under the CMFAS Examination to suit their roles.

The new CMFAS Examination requirements have been set out in the following new Notices issued by the Monetary Authority of Singapore ("**MAS**") on 28 September 2023. These Notices will take effect on 1 April 2024.

- [Notice SFA 04-N22 on Competency Requirements for Representatives of Holders of Capital Markets Services Licence and Exempt Financial Institutions](#) ("**SFA Notice**") which applies to Appointed Representatives of capital markets services licensees, or of banks, merchant banks, finance companies and insurers who are conducting regulated activities under the SFA.
- [Notice FAA-N26 on Competency Requirements for Representatives of Financial Advisers](#) ("**FAA Notice**") which applies to Appointed Representatives of licensed financial advisers, or exempt financial advisers under the FAA.

The Institute of Banking and Finance ("**IBF**") and the Singapore College of Insurance ("**SCI**"), which administer the CMFAS Examination, will start registrations for the new CMFAS Examination and make available the new study guides at least two months before the new CMFAS Examinations commence



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on 1 April 2024. Grandfathering arrangements will be put in place for certain existing Appointed Representatives as of 1 April 2024.

This Update discusses the following key aspects of the new CMFAS Examination regime.

- Content on ethics and skills will be introduced into the existing CMFAS Rules and Regulations modules to form new Rules, Ethics and Skills ("**RES**") modules with the following key features:
 - RES modules will contain new content on ethics and skills;
 - each RES module will be customised with reference to the job roles of Appointed Representatives instead of regulated activities; and
 - RES modules for Appointed Representatives trading on securities and derivatives exchanges will be streamlined and tailored.
- Appointed Representatives will be offered an option to take new combined product knowledge modules.
- Existing Appointed Representatives will be grandfathered under the new CMFAS Examination regime.
- Clarifications by MAS on CMFAS Examination requirements for Appointed Representatives of a Licensed Fund Management Company ("**LFMC**") and exemptions for certain private banking representatives ("**PB Representatives**").
- Refinements to continuing professional development ("**CPD**") requirements for Appointed Representatives.

These changes have undergone two rounds of MAS consultation exercises from December 2016 to January 2017 and from 4 September 2020 to 5 October 2020, respectively, which sought public feedback on the proposals for enhancements to the CMFAS Examination requirements and draft Notices implementing the proposals.

New RES Modules

(1) New Content on Ethics and Skills, in addition to Rules

Currently, the CMFAS curriculum consists of Rules and Regulations modules and Product Knowledge modules. Recognising the importance of promoting ethical behaviour among Appointed Representatives and equipping Appointed Representatives with the basic skills to perform their respective roles effectively, MAS will introduce new content on ethics and skills in the new RES Modules as follows.

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- The ethics-related content will guide Appointed Representatives to appreciate and understand that they must consider ethical principles in responding to situations which may not be prohibited by explicit rules but nevertheless present potential conflicts of interest.
- The skills-related content will equip Appointed Representatives with an understanding of core processes and skills. For example, the skills-related content will include training on how to execute different types of customer orders, and how to analyse information provided by a customer to assess and recommend suitable investment products to the customer based on his/her information and needs.

(2) Customised with Reference to Job Roles, Instead of Regulated Activities

The content of each RES module in the new CMFAS Examination will be customised with reference to the job roles of the Appointed Representatives. This new approach departs from the current approach where Appointed Representatives are required to pass the relevant CMFAS modules relating to the regulated activities that they will be conducting under the SFA and/or FAA. Under the new approach, an Appointed Representative who conducts multiple regulated activities need not take separate full modules for each additional regulated activity that complements his/her primary regulated activity ("**ancillary activities**"). Under the revised CMFAS syllabus, the relevant rules applicable to each of the ancillary activities conducted by an Appointed Representative will be incorporated into the RES module of the primary regulated activity of that Appointed Representative.

In general, an Appointed Representative should enrol in RES modules aligned with the primary regulated activity of his/her principal company and the types of regulatory knowledge and skills he should be equipped with to perform his roles effectively. MAS will be working with IBF and SCI to provide more clarity on the contents of the respective RES modules, to enable financial institutions ("**FIs**") and their Appointed Representatives to better assess the relevant RES modules to take based on their job roles.

(3) Streamlined and Tailored RES Modules on Securities and Derivatives Trading

MAS will streamline the content of the CMFAS modules for Appointed Representatives who conduct regulated activities relating to dealing in securities or derivatives with the following key changes.

- Exchange-related content relating to the same type of instruments (e.g. derivatives) which are traded on different exchanges (e.g. Singapore Exchange Derivatives Trading Limited ("**SGX-DT**") or Intercontinental Exchange ("**ICE**") Futures Singapore) will be streamlined into a common exchange-related module. Consequently, an Appointed Representative who conducts the same regulated activity (e.g. dealing in derivatives) but trades on multiple exchanges will only have to take a single RES module.

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- In addition, there will be an add-on exchange module for each approved exchange. With these add-on modules, when an Appointed Representative moves from an exchange member firm of one derivatives exchange to an exchange member firm of another derivatives exchange, he/she is only required to take a module covering content specific to the exchange that he/she will be trading on when he/she changes principal companies. An Appointed Representative who moves from a non-exchange member firm to an exchange member firm will also have the option to take the add-on modules without having to study the contents relating to non-exchange members which he/she has previously been assessed on.
- There will be a combined RES module on securities and derivatives for Appointed Representatives of non-exchange member firms who are trading in both securities and derivatives.

Option to Take New Combined Product Knowledge

MAS will be introducing four additional combined product knowledge modules so that Appointed Representatives who wish to deal in multiple products may opt to sit for fewer examinations. IBF and SCI will calibrate the difficulty level of the examinations to ensure that the standard and rigour of examinations for the combined product knowledge modules are comparable to that of the underlying modules, taken separately.

For example, an Appointed Representative conducting financial advisory services under the FAA would only need to take one single module (CM-LIC) to offer the full range of collective investment schemes ("**CISs**"), life insurance and investment-linked insurance policies to his/her customers. Currently, such an Appointed Representative is required to take four separate CMFAS modules.

List of Revised CMFAS Examination Modules

The SFA Notice and FAA Notice set out the details of the CMFAS Examination modules that will take effect from 1 April 2024. An outline of the list of the current and revised CMFAS Examination modules is set out below for easy reference.

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Current CMFAS Examination		New CMFAS Examination	
Module	Examination	Module	Examination
RES Modules			
M1A	Rules and Regulations for Dealing in Securities (for members of Singapore Exchange Securities Trading Limited (" SGX-ST "))	RES1A	Rules, Ethics and Skills for Securities Exchange Dealers
M1B	Rules and Regulations for Dealing in Securities (Non SGX-ST members)	RES1B	Rules, Ethics and Skills for Securities Dealers of Non-Exchange Members
		RES1BE1	Add-on Module for SGX-ST
M2A	Rules and Regulations for Trading in Futures Contracts (for members of SGX-DT)	RES2A	Rules, Ethics and Skills for Derivatives Exchange Dealers
		RES2B	Rules, Ethics and Skills for Derivatives Dealers of Non-Exchange Members
		RES2BE1	Add-on Module for SGX-DT
		RES2BE2	Add-on Module for ICE Futures Singapore
		RES2BE3	Add-on Module for Asia Pacific Exchange (APEX)
		RES12B	Rules, Ethics and Skills for Securities and Derivatives Dealers of Non-Exchange Members
M3	Rules and Regulations for Fund Management	RES3	Rules, Ethics and Skills for Fund Management
M4A	Rules and Regulations for Corporate Finance	RES4	Rules, Ethics and Skills for Corporate Finance
M10	Rules and Regulations for REIT Management, with Product Knowledge and Analysis	RESP10	Rules, Ethics and Skills and Product Knowledge for REIT Management
M5	Rules and Regulations for Financial Advisory Services	RES5	Rules, Ethics and Skills for Financial Advisory Services

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Current CMFAS Examination		New CMFAS Examination	
Module	Examination	Module	Examination
Product Knowledge Modules			
M6	Securities Products and Analysis	CM-EIP	Capital Markets – Excluded Investment Products (" EIP ") – Securities, Collective Investment Schemes (EIP) and Foreign Exchange
M6A	Securities and Futures Product Knowledge	CM-SIP	Capital Markets – Specified Investment Products (" SIP ") – Derivatives and Collective Investment Schemes (SIP)
M8	Collective Investment Schemes	M8	Collective Investment Schemes
M8A	Collective Investment Schemes II	M8A	Collective Investment Schemes II
M9	Life Insurance and Investment-linked Policies	M9	Life Insurance and Investment-linked Policies
M9A	Life Insurance and Investment-linked Policies II	M9A	Life Insurance and Investment-linked Policies II
		CM-CMP (EIP + SIP)	Capital Markets – Securities, Derivatives, Collective Investment Schemes and Foreign Exchange
		CM-CIS (M8+M8A)	Collective Investment Schemes
		CM-LIP (M9+M9A)	Life Insurance and Investment-linked Policies
		CM-LIC (M8+M8A+M9+M9A)	Life Insurance, Investment-linked Policies and Collective Investment Schemes

Grandfathering Arrangement for Existing Appointed Representatives

The following key categories of Appointed Representatives will be grandfathered from the new CMFAS Examination Regime because they have already fulfilled the requirements of the existing CMFAS Examination and possess the relevant knowledge and experience.

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- Individuals who are Appointed Representatives on 1 April 2024 and who are continuing their current roles, with no change in the scope of the regulated activities that he/she has been conducting.
- Appointed Representatives who change to a new principal company on or after 1 April 2024, with no change in the scope of the regulated activities that he/she has been conducting.
- Former Appointed Representatives who had conducted the relevant regulated activities before 1 April 2024, with a break in service from the industry of not more than three years.

Existing Appointed Representatives who intend to undertake additional regulated activities will have to pass the relevant new CMFAS Examination modules for those activities.

Exemptions from CMFAS Examination Requirements for Certain Appointed Representatives

In MAS' responses to the feedback received pursuant to its earlier consultation exercises, MAS addressed some areas of interests concerning the exemptions for certain capital markets intermediaries or financial advisers from the new CMFAS Examination regime. Some of these exemptions are highlighted below.

(1) Exemptions for LFMC's Appointed Representatives

Appointed Representatives of a LFMC are not required to meet the CMFAS Examination requirements for dealing in capital markets products (including securities, CIS units, exchange-traded or over-the-counter derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading) if the LFMC only manages funds for:

- accredited investors ("**Als**");
- institutional investors other than CISs;
- CISs or closed-end funds which are offered to:
 - only investors outside Singapore;
 - only Als or institutional investors, or both, in Singapore; or
 - both investors in Singapore and outside Singapore, and where such an offer or invitation made in Singapore is made only to Als or institutional investors, or both.

Appointed Representatives of a LFMC are not required to meet the CMFAS Examination requirements for dealing in any types of capital markets products if they satisfy the following conditions:

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- their dealing in the capital markets products is limited to dealing for the funds managed by the LFMC or by the LFMC's related corporation; and
- they have passed, or are deemed to have passed RES3, and CM-EIP (where they deal in capital market products that are Excluded Investment Products) and CM-SIP (where they deal in capital market products that are Specified Investment Products).

Appointed Representatives of a LFMC are not required to meet the CMFAS Examination requirements for dealing in capital markets products that are units in a CIS if they satisfy the following conditions:

- their dealing in the units in the CIS is limited to the marketing of any CIS; and
- they meet the CMFAS Examination Requirements for fund management.

(2) Exemption for Specialised Units Serving High Net Worth Individuals

The following persons are not required to meet the CMFAS Examination requirements for dealing in the types of capital market products covered in the following circumstances:

- an individual who, on or before 28 September 2023, was appointed to carry out the regulated activity of dealing in any type of capital markets products or provide any type of financial advisory service on behalf of a specialised unit which was, before 8 January 2021, serving high net worth individuals pursuant to an exemption under section 100(2) of the FAA as in force at that time ("**s100(2) Exemption**"); and
- an individual who, after 1 April 2024, is appointed to carry out the same regulated activity of dealing in those types of capital markets products on behalf of any licensed financial adviser or exempt financial adviser as defined in section 2(1) of the FAA, or any unit of such a financial adviser, in the private banking industry and they serve only AIs or institutional investors, or both.

The grandfathering exemption will continue to apply to Appointed Representatives who are covered under the s100(2) Exemption if they move to another FI subsequently, so long as they continue to serve only private banking clients. For this purpose, FIs in the private banking industry have agreed to:

- issue an attestation letter to the Appointed Representatives covered under the s100(2) Exemption which contains certain minimum information required by MAS;

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- provide responses to reference checks by other FIs which are seeking to verify the prospective hires' employment history and ascertain their eligibility for the grandfathering exemption from the CMFAS Examination requirements; and
- keep in the FI's records a copy of the attestation letter or the minimum information stated in the letter.

(3) Exemption for PB Representatives Serving AIs Only

PB Representatives who are appointed under the FAA, before and after 1 April 2024, for providing any financial advisory service, are exempted from the CMFAS Examination requirements for dealing in any types of capital markets products, if they meet the following conditions:

- they serve only AIs;
- the dealing activities conducted by them are only for the purpose of passing on an order, or keying in an order into the trade system, to purchase or sell those types of capital markets products on behalf of an AI to whom the individuals provide a financial advisory service; and
- they have passed (or are exempted from passing) the Client Advisor Competency Standards examination under the Singapore Private Banking Code of Conduct (CACS Examination) and that pass is recognised by the Private Banking Industry Group to be valid.

Refinement to CPD Requirements

Under the SFA Notice and FAA Notice, the principal of an Appointed Representative must include the CPD training undertaken by him/her in assessing whether the Appointed Representative remains fit and proper in the conduct of the relevant regulated activities.

(1) Aligning the Exemptions from CPD Requirements under the SFA Notice with the FAA Notice

The SFA Notice has been updated to exempt Appointed Representatives who serve only AIs, institutional investors and/or expert investors from the CPD requirements. This aims to align the exemptions from the CPD requirements under the SFA Notice with those provided in the FAA Notice. Currently, Appointed Representatives who serve only expert investors are not exempted from the CPD requirements under the SFA.

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(2) Enhancement to Support CPD Training related to the Central Provident Fund ("CPF")

To equip financial advisory Appointed Representatives with the relevant knowledge to incorporate CPF schemes into holistic financial advice and better assist consumers with retirement planning (e.g. top-ups to CPF Special Account), the FAA Notice has been updated to cover CPF-related content in the new CMFAS Examination regime and CPD training on CPF schemes.

Training hours from the relevant CPD courses that are conducted by the Central Provident Fund Board ("**CPF Board**") will be recognised as Core CPD hours. This means that the training hours may be counted towards fulfilling the minimum six hours of Core CPD training that an Appointed Representative must complete in a calendar year. The CPF Board will provide details of the CPD courses on CPF schemes in due course.

Further Information

If you have any queries on the new CMFAS Examination requirements or any exemptions from the CMFAS Examination requirements which are not covered in this Client Update, please reach out to our Contact Partners listed below to discuss.

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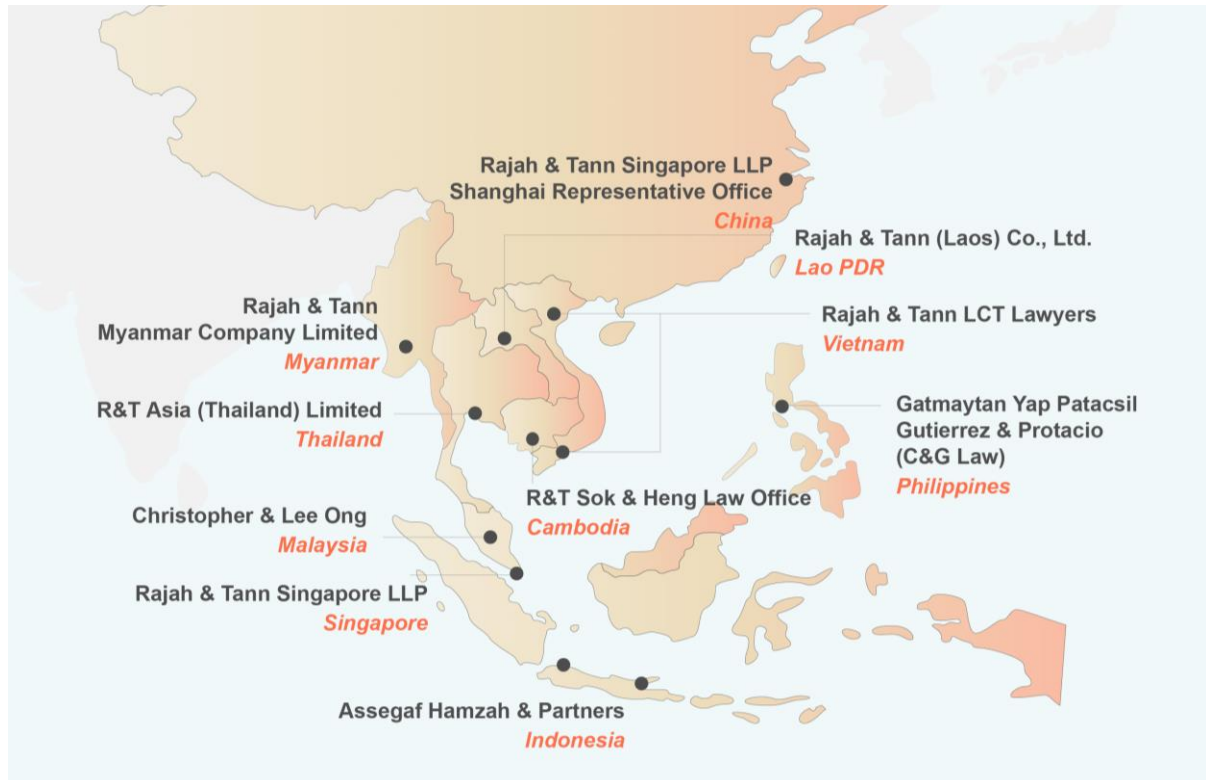
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